

State of Arizona  
Senate  
Forty-eighth Legislature  
Second Regular Session  
2008

# SENATE BILL 1079

## AN ACT

AMENDING SECTIONS 36-2901.03 AND 36-2912, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2912.04; AMENDING SECTIONS 41-1272 AND 41-3955, ARIZONA REVISED STATUTES; RELATING TO HEALTH BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-2901.03, Arizona Revised Statutes, is amended to  
3 read:

4 36-2901.03. Federal poverty program; eligibility

5 A. The administration shall adopt rules for a streamlined eligibility  
6 determination process for any person who applies to be an eligible person as  
7 defined in section 36-2901, paragraph 6, subdivision (a), item (iv). The  
8 administration shall adopt these rules in accordance with state and federal  
9 requirements and the section 1115 waiver.

10 B. The administration must base eligibility on an adjusted gross  
11 income that does not exceed one hundred per cent of the federal poverty  
12 guidelines.

13 C. For persons who the administration determines are eligible pursuant  
14 to this section, the date of eligibility is the first day of the month of  
15 application.

16 D. Except as provided in ~~subsection~~ SUBSECTIONS E AND F of this  
17 section, the administration shall determine an eligible person's continued  
18 eligibility ~~on an annual basis~~ AT LEAST ANNUALLY.

19 E. Every six months the administration shall determine the continued  
20 eligibility of any adult who is at least twenty-one years of age and who is  
21 subject to redetermination of eligibility for temporary assistance for needy  
22 families cash benefits by the department. Acute care redeterminations  
23 pursuant to this subsection shall begin on ~~the effective date of this~~  
24 ~~amendment to this section~~ SEPTEMBER 19, 2007 and shall occur simultaneously  
25 with redeterminations of eligibility for temporary assistance for needy  
26 families cash benefits.

27 F. EVERY SIX MONTHS THE ADMINISTRATION SHALL DETERMINE THE CONTINUED  
28 ELIGIBILITY OF ANY ADULT WITHOUT DEPENDENT CHILDREN WHO IS ALL OF THE  
29 FOLLOWING:

- 30 1. AT LEAST TWENTY-ONE YEARS OF AGE.  
31 2. DEFINED AS ELIGIBLE PURSUANT TO SECTION 36-2901.01.  
32 3. NOT OTHERWISE ELIGIBLE AS A MANDATORY OR OPTIONALLY ELIGIBLE MEMBER  
33 PURSUANT TO TITLE XIX OF THE SOCIAL SECURITY ACT AS AUTHORIZED BY THE STATE  
34 PLAN.

35 Sec. 2. Section 36-2912, Arizona Revised Statutes, is amended to read:

36 36-2912. Healthcare group coverage; program requirements for  
37 small businesses and public employers; related  
38 requirements; definitions

39 A. The administration shall administer a healthcare group program to  
40 allow willing contractors to deliver health care services to persons defined  
41 as eligible pursuant to section 36-2901, paragraph 6, subdivisions (b), (c),  
42 (d) and (e). ~~In the absence of a willing contractor~~ IN COUNTIES WITH A  
43 POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS, the administration may  
44 contract directly with any health care provider or entity. The

1 administration may enter into a contract with another entity to provide  
2 administrative functions for the healthcare group program.

3 B. Employers with one eligible employee or up to an average of fifty  
4 eligible employees under section 36-2901, paragraph 6, subdivision (d):

5 1. May contract with the administration to be the exclusive health  
6 benefit plan if the employer has five or fewer eligible employees and enrolls  
7 one hundred per cent of these employees into the health benefit plan.

8 2. May contract with the administration for coverage available  
9 pursuant to this section if the employer has six or more eligible employees  
10 and enrolls eighty per cent of these employees into the healthcare group  
11 program.

12 3. Shall have a minimum of one and a maximum of fifty eligible  
13 employees at the effective date of their first contract with the  
14 administration.

15 C. The administration shall not enroll an employer group in healthcare  
16 group sooner than one hundred eighty days after the date that the employer's  
17 health insurance coverage under an accountable health plan is discontinued.  
18 Enrollment in healthcare group is effective on the first day of the month  
19 after the one hundred eighty day period. This subsection does not apply to  
20 an employer group if the employer's accountable health plan discontinues  
21 offering the health plan of which the employer is a member.

22 D. Employees with proof of other existing health care coverage who  
23 elect not to participate in the healthcare group program shall not be  
24 considered when determining the percentage of enrollment requirements under  
25 subsection B of this section if either:

26 1. Group health coverage is provided through a spouse, parent or  
27 legal guardian, or insured through individual insurance or another employer.

28 2. Medical assistance is provided by a government subsidized health  
29 care program.

30 3. Medical assistance is provided pursuant to section 36-2982,  
31 subsection I.

32 E. An employer shall not offer coverage made available pursuant to  
33 this section to persons defined as eligible pursuant to section 36-2901,  
34 paragraph 6, subdivision (b), (c), (d) or (e) as a substitute for a federally  
35 designated plan.

36 F. An employee or dependent defined as eligible pursuant to section  
37 36-2901, paragraph 6, subdivision (b), (c), (d) or (e) may participate in  
38 healthcare group on a voluntary basis only.

39 G. Notwithstanding subsection B, paragraph 2 of this section, the  
40 administration shall adopt rules to allow a business that offers healthcare  
41 group coverage pursuant to this section to continue coverage if it expands  
42 its employment to include more than fifty employees.

43 H. The administration shall provide eligible employees with disclosure  
44 information about the health benefit plan.

1 I. The director shall:

2 1. Require that any contractor that provides covered services to  
3 persons defined as eligible pursuant to section 36-2901, paragraph 6,  
4 subdivision (a) provide separate audited reports on the assets, liabilities  
5 and financial status of any corporate activity involving providing coverage  
6 pursuant to this section to persons defined as eligible pursuant to section  
7 36-2901, paragraph 6, subdivision (b), (c), (d) or (e).

8 2. Beginning on July 1, 2005, require that a contractor, the  
9 administration or an accountable health plan negotiate reimbursement rates  
10 and not use the administration's reimbursement rates established pursuant to  
11 section 36-2903.01, subsection H, as a default reimbursement rate if a  
12 contract does not exist between a contractor and a provider.

13 3. Use monies from the healthcare group fund established by section  
14 36-2912.01 for the administration's costs of operating the healthcare group  
15 program.

16 4. Ensure that the contractors are required to meet contract terms as  
17 are necessary in the judgment of the director to ensure adequate performance  
18 by the contractor. Contract provisions shall include, at a minimum, the  
19 maintenance of deposits, performance bonds, financial reserves or other  
20 financial security. The director may waive requirements for the posting of  
21 bonds or security for contractors that have posted other security, equal to  
22 or greater than that required for the healthcare group program, with the  
23 administration or the department of insurance for the performance of health  
24 service contracts if funds would be available to the administration from the  
25 other security on the contractor's default. In waiving, or approving waivers  
26 of, any requirements established pursuant to this section, the director shall  
27 ensure that the administration has taken into account all the obligations to  
28 which a contractor's security is associated. The director may also adopt  
29 rules that provide for the withholding or forfeiture of payments to be made  
30 to a contractor for the failure of the contractor to comply with provisions  
31 of its contract or with provisions of adopted rules.

32 5. Adopt rules.

33 6. Provide reinsurance to the contractors for clean claims based on  
34 thresholds established by the administration. For the purposes of this  
35 paragraph, "clean claims" has the same meaning prescribed in section 36-2904.

36 J. With respect to services provided by contractors to persons defined  
37 as eligible pursuant to section 36-2901, paragraph 6, subdivision (b), (c),  
38 (d) or (e), a contractor is the payor of last resort and has the same lien or  
39 subrogation rights as those held by health care services organizations  
40 licensed pursuant to title 20, chapter 4, article 9.

41 K. The administration shall offer a health benefit plan on a  
42 guaranteed issuance basis to small employers as required by this section.  
43 All small employers qualify for this guaranteed offer of coverage. The  
44 administration shall provide a health benefit plan to each small employer  
45 without regard to health status-related factors if the small employer agrees

1 to make the premium payments and to satisfy any other reasonable provisions  
2 of the plan and contract. The administration shall offer to all small  
3 employers the available health benefit plan and shall accept any small  
4 employer that applies and meets the eligibility requirements. In addition to  
5 the requirements prescribed in this section, for any offering of any health  
6 benefit plan to a small employer, as part of the administration's  
7 solicitation and sales materials, the administration shall make a reasonable  
8 disclosure to the employer of the availability of the information described  
9 in this subsection and, on request of the employer, shall provide that  
10 information to the employer. The administration shall provide information  
11 concerning the following:

12 1. Provisions of coverage relating to the following, if applicable:

13 (a) The administration's right to establish premiums and to change  
14 premium rates and the factors that may affect changes in premium rates.

15 (b) Renewability of coverage.

16 (c) Any preexisting condition exclusion.

17 (d) The geographic areas served by the contractor.

18 2. The benefits and premiums available under all health benefit plans  
19 for which the employer is qualified.

20 L. The administration shall describe the information required by  
21 subsection K of this section in language that is understandable by the  
22 average small employer and with a level of detail that is sufficient to  
23 reasonably inform a small employer of the employer's rights and obligations  
24 under the health benefit plan. This requirement is satisfied if the  
25 administration provides the following information:

26 1. An outline of coverage that describes the benefits in summary form.

27 2. The rate or rating schedule that applies to the product,  
28 preexisting condition exclusion or affiliation period.

29 3. The minimum employer contribution and group participation rules  
30 that apply to any particular type of coverage.

31 4. In the case of a network plan, a map or listing of the areas  
32 served.

33 M. A contractor is not required to disclose any information that is  
34 proprietary and protected trade secret information under applicable law.

35 N. At least sixty days before the date of expiration of a health  
36 benefit plan, the administration shall provide a written notice to the  
37 employer of the terms for renewal of the plan.

38 O. The administration ~~may~~ **SHALL** increase or decrease premiums based on  
39 actuarial reviews **BY AN INDEPENDENT ACTUARY** of the projected and actual costs  
40 of providing health care benefits to eligible members. Before changing  
41 premiums, the administration must give sixty days' written notice to the  
42 employer. ~~The administration may cap the amount of the change.~~ **FOR EACH**  
43 **CONTRACT PERIOD THE ADMINISTRATION SHALL SET PREMIUMS THAT IN THE AGGREGATE**  
44 **COVER PROJECTED MEDICAL AND ADMINISTRATIVE COSTS FOR THAT CONTRACT PERIOD AND**

1 THAT ARE DETERMINED PURSUANT TO GENERALLY ACCEPTED ACTUARIAL PRINCIPLES AND  
2 PRACTICES BY AN INDEPENDENT ACTUARY.

3 P. The administration ~~may~~ SHALL consider age, sex, ~~income~~ GROUP SIZE,  
4 GEOGRAPHIC AREA and community rating when it establishes premiums for the  
5 healthcare group program.

6 Q. Except as provided in subsection R of this section, a health  
7 benefit plan may not deny, limit or condition the coverage or benefits based  
8 on a person's health status-related factors or a lack of evidence of  
9 insurability. A HEALTH BENEFIT PLAN SHALL NOT PROVIDE OR OFFER ANY SERVICE,  
10 BENEFIT OR COVERAGE THAT IS NOT A PART OF THE HEALTH BENEFIT PLAN CONTRACT.

11 R. A health benefit plan shall not exclude coverage for preexisting  
12 conditions, except that:

13 1. A health benefit plan may exclude coverage for preexisting  
14 conditions for a period of not more than twelve months or, in the case of a  
15 late enrollee, eighteen months. The exclusion of coverage does not apply to  
16 services that are furnished to newborns who were otherwise covered from the  
17 time of their birth or to persons who satisfy the portability requirements  
18 under this section.

19 2. The contractor shall reduce the period of any applicable  
20 preexisting condition exclusion by the aggregate of the periods of creditable  
21 coverage that apply to the individual.

22 S. The contractor shall calculate creditable coverage according to the  
23 following:

24 1. The contractor shall give an individual credit for each portion of  
25 each month the individual was covered by creditable coverage.

26 2. The contractor shall not count a period of creditable coverage for  
27 an individual enrolled in a health benefit plan if after the period of  
28 coverage and before the enrollment date there were sixty-three consecutive  
29 days during which the individual was not covered under any creditable  
30 coverage.

31 3. The contractor shall give credit in the calculation of creditable  
32 coverage for any period that an individual is in a waiting period for any  
33 health coverage.

34 T. The contractor shall not count a period of creditable coverage with  
35 respect to enrollment of an individual if, after the most recent period of  
36 creditable coverage and before the enrollment date, sixty-three consecutive  
37 days lapse during all of which the individual was not covered under any  
38 creditable coverage. The contractor shall not include in the determination  
39 of the period of continuous coverage described in this section any period  
40 that an individual is in a waiting period for health insurance coverage  
41 offered by a health care insurer or is in a waiting period for benefits under  
42 a health benefit plan offered by a contractor. In determining the extent to  
43 which an individual has satisfied any portion of any applicable preexisting  
44 condition period the contractor shall count a period of creditable coverage  
45 without regard to the specific benefits covered during that period. A

1 contractor shall not impose any preexisting condition exclusion in the case  
2 of an individual who is covered under creditable coverage thirty-one days  
3 after the individual's date of birth. A contractor shall not impose any  
4 preexisting condition exclusion in the case of a child who is adopted or  
5 placed for adoption before age eighteen and who is covered under creditable  
6 coverage thirty-one days after the adoption or placement for adoption.

7 U. The written certification provided by the administration must  
8 include:

9 1. The period of creditable coverage of the individual under the  
10 contractor and any applicable coverage under a COBRA continuation provision.

11 2. Any applicable waiting period or affiliation period imposed on an  
12 individual for any coverage under the health plan.

13 V. The administration shall issue and accept a written certification  
14 of the period of creditable coverage of the individual that contains at least  
15 the following information:

16 1. The date that the certificate is issued.

17 2. The name of the individual or dependent for whom the certificate  
18 applies and any other information that is necessary to allow the issuer  
19 providing the coverage specified in the certificate to identify the  
20 individual, including the individual's identification number under the policy  
21 and the name of the policyholder if the certificate is for or includes a  
22 dependent.

23 3. The name, address and telephone number of the issuer providing the  
24 certificate.

25 4. The telephone number to call for further information regarding the  
26 certificate.

27 5. One of the following:

28 (a) A statement that the individual has at least eighteen months of  
29 creditable coverage. For THE purposes of this subdivision, "eighteen months"  
30 means five hundred forty-six days.

31 (b) Both the date that the individual first sought coverage, as  
32 evidenced by a substantially complete application, and the date that  
33 creditable coverage began.

34 6. The date creditable coverage ended, unless the certificate  
35 indicates that creditable coverage is continuing from the date of the  
36 certificate.

37 W. The administration shall provide any certification pursuant to this  
38 section within thirty days after the event that triggered the issuance of the  
39 certification. Periods of creditable coverage for an individual are  
40 established by presentation of the certifications in this section.

41 X. The healthcare group program shall comply with all applicable  
42 federal requirements.

43 Y. Healthcare group may pay a commission to an insurance producer. To  
44 receive a commission, the producer must certify that to the best of the  
45 producer's knowledge the employer group has not had insurance in the one

1 hundred eighty days before applying to healthcare group. For the purposes of  
2 this subsection, "commission" means a one time payment on the initial  
3 enrollment of an employer.

4 Z. On or before June 15 and November 15 of each year, the director  
5 shall submit a report to the joint legislative budget committee regarding the  
6 number and type of businesses participating in healthcare group and that  
7 includes updated information on healthcare group marketing activities. The  
8 director, within thirty days of implementation, shall notify the joint  
9 legislative budget committee of any changes in healthcare group benefits or  
10 cost sharing arrangements.

11 AA. THE ADMINISTRATION SHALL SUBMIT THE FOLLOWING TO THE JOINT  
12 LEGISLATIVE BUDGET COMMITTEE:

13 1. QUARTERLY REPORTS REGARDING THE FINANCIAL CONDITION OF THE  
14 HEALTHCARE GROUP PROGRAM. THE REPORTS SHALL INCLUDE THE NUMBER OF PERSONS  
15 AND EMPLOYER GROUPS ENROLLED IN THE PROGRAM AND MEDICAL LOSS INFORMATION AND  
16 PROJECTIONS.

17 2. AN ANNUAL FINANCIAL AUDIT.

18 3. AN ANNUAL WRITTEN STATEMENT BY A MEMBER OF THE AMERICAN ACADEMY OF  
19 ACTUARIES CERTIFYING THAT, BASED ON AN EXAMINATION BY THE INDIVIDUAL,  
20 INCLUDING A REVIEW OF THE APPROPRIATE RECORDS AND OF THE ACTUARIAL  
21 ASSUMPTIONS AND METHODS USED BY THE INDEPENDENT ACTUARY IN ESTABLISHING BASE  
22 PREMIUM RATES AND PREMIUM RATES FOR HEALTH BENEFITS PLANS:

23 (a) THE HEALTH BENEFIT PLAN IS IN COMPLIANCE WITH THE APPLICABLE  
24 PROVISIONS OF THIS SECTION.

25 (b) THE RATING METHODS ARE ACTUARIALLY SOUND.

26 ~~AA.~~ BB. For the purposes of this section:

27 1. "Accountable health plan" has the same meaning prescribed in  
28 section 20-2301.

29 2. "COBRA continuation provision" means:

30 (a) Section 4980B, except subsection (f)(1) as it relates to pediatric  
31 vaccines, of the internal revenue code of 1986.

32 (b) Title I, subtitle B, part 6, except section 609, of the employee  
33 retirement income security act of 1974.

34 (c) Title XXII of the public health service act.

35 (d) Any similar provision of the law of this state or any other state.

36 3. "Creditable coverage" means coverage solely for an individual,  
37 other than limited benefits coverage, under any of the following:

38 (a) An employee welfare benefit plan that provides medical care to  
39 employees or the employees' dependents directly or through insurance,  
40 reimbursement or otherwise pursuant to the employee retirement income  
41 security act of 1974.

42 (b) A church plan as defined in the employee retirement income  
43 security act of 1974.

44 (c) A health benefits plan, as defined in section 20-2301, issued by a  
45 health plan.



- 1 (d) Part A or part B of title XVIII of the social security act.  
2 (e) Title XIX of the social security act, other than coverage  
3 consisting solely of benefits under section 1928.  
4 (f) Title 10, chapter 55 of the United States Code.  
5 (g) A medical care program of the Indian health service or of a tribal  
6 organization.  
7 (h) A health benefits risk pool operated by any state of the United  
8 States.  
9 (i) A health plan offered pursuant to title 5, chapter 89 of the  
10 United States Code.  
11 (j) A public health plan as defined by federal law.  
12 (k) A health benefit plan pursuant to section 5(e) of the peace corps  
13 act (22 United States Code section 2504(e)).  
14 (l) A policy or contract, including short-term limited duration  
15 insurance, issued on an individual basis by an insurer, a health care  
16 services organization, a hospital service corporation, a medical service  
17 corporation or a hospital, medical, dental and optometric service corporation  
18 or made available to persons defined as eligible under section 36-2901,  
19 paragraph 6, subdivisions (b), (c), (d) and (e).  
20 (m) A policy or contract issued by a health care insurer or the  
21 administration to a member of a bona fide association.  
22 4. "Eligible employee" means a person who is one of the following:  
23 (a) Eligible pursuant to section 36-2901, paragraph 6, subdivisions  
24 (b), (c), (d) and (e).  
25 (b) A person who works for an employer for a minimum of twenty hours  
26 per week or who is self-employed for at least twenty hours per week.  
27 (c) An employee who elects coverage pursuant to section 36-2982,  
28 subsection I. The restriction prohibiting employees employed by public  
29 agencies prescribed in section 36-2982, subsection I does not apply to this  
30 subdivision.  
31 (d) A person who meets all of the eligibility requirements, who is  
32 eligible for a federal health coverage tax credit pursuant to section 35 of  
33 the internal revenue code of 1986 and who applies for health care coverage  
34 through the healthcare group program. The requirement that a person be  
35 employed with a small business that elects healthcare group coverage does not  
36 apply to this eligibility group.  
37 5. "Genetic information" means information about genes, gene products  
38 and inherited characteristics that may derive from the individual or a family  
39 member, including information regarding carrier status and information  
40 derived from laboratory tests that identify mutations in specific genes or  
41 chromosomes, physical medical examinations, family histories and direct  
42 ~~analysis~~ ANALYSES of genes or chromosomes.  
43 6. "Health benefit plan" means coverage offered by the administration  
44 for the healthcare group program pursuant to this section.

1           7. "Health status-related factor" means any factor in relation to the  
2 health of the individual or a dependent of the individual enrolled or to be  
3 enrolled in a health plan including:

- 4           (a) Health status.
- 5           (b) Medical condition, including physical and mental illness.
- 6           (c) Claims experience.
- 7           (d) Receipt of health care.
- 8           (e) Medical history.
- 9           (f) Genetic information.
- 10          (g) Evidence of insurability, including conditions arising out of acts  
11 of domestic violence as defined in section 20-448.
- 12          (h) The existence of a physical or mental disability.

13          8. "Hospital" means a health care institution licensed as a hospital  
14 pursuant to chapter 4, article 2 of this title.

15          9. "Late enrollee" means an employee or dependent who requests  
16 enrollment in a health benefit plan after the initial enrollment period that  
17 is provided under the terms of the health benefit plan if the initial  
18 enrollment period is at least thirty-one days. Coverage for a late enrollee  
19 begins on the date the person becomes a dependent if a request for enrollment  
20 is received within thirty-one days after the person becomes a dependent. An  
21 employee or dependent shall not be considered a late enrollee if:

- 22          (a) The person:
  - 23           (i) At the time of the initial enrollment period was covered under a  
24 public or private health insurance policy or any other health benefit plan.
  - 25           (ii) Lost coverage under a public or private health insurance policy  
26 or any other health benefit plan due to the employee's termination of  
27 employment or eligibility, the reduction in the number of hours of  
28 employment, the termination of the other plan's coverage, the death of the  
29 spouse, legal separation or divorce or the termination of employer  
30 contributions toward the coverage.

31           (iii) Requests enrollment within thirty-one days after the termination  
32 of creditable coverage that is provided under a COBRA continuation provision.

33           (iv) Requests enrollment within thirty-one days after the date of  
34 marriage.

35          (b) The person is employed by an employer that offers multiple health  
36 benefit plans and the person elects a different plan during an open  
37 enrollment period.

38          (c) The person becomes a dependent of an eligible person through  
39 marriage, birth, adoption or placement for adoption and requests enrollment  
40 no later than thirty-one days after becoming a dependent.

41          10. "Preexisting condition" means a condition, regardless of the cause  
42 of the condition, for which medical advice, diagnosis, care or treatment was  
43 recommended or received within not more than six months before the date of  
44 the enrollment of the individual under a health benefit plan issued by a  
45 contractor. Preexisting condition does not include a genetic condition in

1 the absence of a diagnosis of the condition related to the genetic  
2 information.

3 11. "Preexisting condition limitation" or "preexisting condition  
4 exclusion" means a limitation or exclusion of benefits for a preexisting  
5 condition under a health benefit plan offered by a contractor.

6 12. "Small employer" means an employer who employs at least one but not  
7 more than fifty eligible employees on a typical business day during any one  
8 calendar year.

9 13. "Waiting period" means the period that must pass before a potential  
10 participant or eligible employee in a health benefit plan offered by a health  
11 plan is eligible to be covered for benefits as determined by the individual's  
12 employer.

13 Sec. 3. Title 36, chapter 29, article 1, Arizona Revised Statutes, is  
14 amended by adding section 36-2912.04, to read:

15 36-2912.04. Medical loss subsidies; required information

16 THE ADMINISTRATION SHALL ESTABLISH UTILIZATION MANAGEMENT CONTROL  
17 STANDARDS FOR PARTICIPATING CONTRACTORS THAT MEET NATIONALLY RECOGNIZED  
18 STANDARDS FOR MANAGED CARE UTILIZATION. CONTRACTORS THAT DO NOT MEET THESE  
19 STANDARDS ARE NOT ELIGIBLE FOR STOP-LOSS COVERAGE FOR MEDICAL COSTS IN EXCESS  
20 OF THESE STANDARDS.

21 Sec. 4. Section 41-1272, Arizona Revised Statutes, is amended to read:

22 41-1272. Powers and duties; finances

23 A. The joint legislative budget committee shall:

24 1. Ascertain facts and make recommendations to the legislature  
25 relating to the state budget, revenues and expenditures of the state, future  
26 fiscal needs, the organization and functions of state agencies or their  
27 divisions and such other matters incident to the above functions as may be  
28 provided for by rules of the joint legislative budget committee.

29 2. Implement a system of fiscal notes to apply to those bills  
30 introduced in the legislature that have a fiscal impact. These fiscal notes  
31 shall also reflect the fiscal impact of legislation on cities, counties and  
32 all other political subdivisions of the state.

33 3. Implement a system of fiscal notes for any rule as defined by  
34 section 41-1001 which has a fiscal impact.

35 4. Analyze the state tax structure, tax burdens on individuals and  
36 businesses and tax incentives for existing and prospective businesses. The  
37 analyses shall include:

38 (a) Projection of the impact of industry specific tax incentive  
39 proposals on the state revenue base.

40 (b) Comparison among states of relative tax burdens on existing and  
41 prospective businesses.

42 (c) Determination of reliance and incidence aspects of the tax  
43 structure of this state.

44 5. Implement a system of fiscal analysis that applies to those bills  
45 introduced in the legislature that involve one or more proposed changes in

1 the tax laws. Unless it is unreasonable to do so, the fiscal analysis shall  
2 be based on assumptions that estimate the probable behavioral response of  
3 taxpayers, businesses and other citizens and shall include within the  
4 analysis a statement identifying those assumptions.

5 6. REVIEW ALL STATUTORY SPENDING FORMULA REQUIREMENTS OF THE  
6 DEPARTMENT OF HEALTH SERVICES IN TITLE 36 AND THE DEPARTMENT OF ECONOMIC  
7 SECURITY IN TITLE 41, CHAPTER 14, ARTICLE 1 AND PROVIDE RECOMMENDED CHANGES  
8 TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE  
9 SENATE ON OR BEFORE DECEMBER 15, 2008 AND DECEMBER 15 OF EACH THIRD YEAR  
10 THEREAFTER.

11 ~~6-~~ 7. Adopt rules.

12 B. The joint legislative budget committee may:

13 1. Make studies, conduct inquiries and investigations and hold  
14 hearings.

15 2. Meet and conduct its business any place within the state during the  
16 sessions of the legislature or any recess of the legislature and in the  
17 period when the legislature is not in session.

18 3. Establish subcommittees from the membership of the legislature and  
19 assign to such subcommittee any study, inquiry, investigation or hearing with  
20 the right to call witnesses which the joint legislative budget committee has  
21 authority to undertake.

22 C. The joint legislative budget committee shall have the powers  
23 conferred by law upon legislative committees.

24 D. Members of the joint legislative budget committee shall be  
25 reimbursed by their respective houses in the same manner as is provided by  
26 law for a member of the legislature who attends a duly called meeting of a  
27 standing committee.

28 Sec. 5. Section 41-3955, Arizona Revised Statutes, is amended to read:

29 41-3955. Housing trust fund; purpose

30 A. The housing trust fund is established, and the director shall  
31 administer the fund. The fund consists of monies from unclaimed property  
32 deposited in the fund pursuant to section 44-313 and investment earnings.

33 B. On notice from the department, the state treasurer shall invest and  
34 divest monies in the fund as provided by section 35-313, and monies earned  
35 from investment shall be credited to the fund.

36 C. Fund monies ARE SUBJECT TO LEGISLATIVE APPROPRIATION AND shall be  
37 spent on approval of the department for developing projects and programs  
38 connected with providing housing opportunities for low and moderate income  
39 households and for housing affordability and Arizona housing finance  
40 authority programs. Pursuant to section 44-313, subsection A, a portion of  
41 fund monies shall be used exclusively for housing in rural areas.

42 D. In approving the expenditure of monies, the director shall give  
43 priority to funding projects that provide for operating, constructing or  
44 renovating facilities for housing for low income families and that provide  
45 housing and shelter to families that have children.

1 E. The director shall report annually to the legislature on the status  
2 of the housing trust fund. The report shall include a summary of facilities  
3 for which funding was provided during the preceding fiscal year and shall  
4 show the cost and geographic location of each facility and the number of  
5 individuals benefiting from the operation, construction or renovation of the  
6 facility. The report shall be submitted to the president of the senate and  
7 the speaker of the house of representatives no later than September 1 of each  
8 year.

9 F. Monies in the housing trust fund are exempt from the provisions of  
10 section 35-190 relating to lapsing of appropriations.

11 G. An amount not to exceed ten per cent of the housing trust fund  
12 monies may be appropriated annually by the legislature to the department for  
13 administrative costs in providing services relating to the housing trust  
14 fund.

15 H. For any construction project financed by the department pursuant to  
16 this section, the department shall notify a city, town, county or tribal  
17 government that a project is planned for its jurisdiction and, before  
18 proceeding, shall seek comment from the governing body of the city, town,  
19 county or tribal government or an official authorized by the governing body  
20 of the city, town, county or tribal government. The department shall not  
21 interfere with or attempt to override the local jurisdiction's planning,  
22 zoning or land use regulations.

23 Sec. 6. Healthcare group; temporary enrollment freeze

24 Notwithstanding section 36-2912, Arizona Revised Statutes, as amended  
25 by this act, beginning August 1, 2008 and ending on July 31, 2011, healthcare  
26 group shall not enroll any additional employer groups defined as eligible  
27 pursuant to section 36-2901, paragraph 6, subdivisions (b), (c), (d) and (e),  
28 Arizona Revised Statutes.

29 Sec. 7. County transfers; fiscal year 2008-2009

30 Notwithstanding any other law, in fiscal year 2008-2009, counties with  
31 a population of two million or more persons shall transfer \$17,497,300 and  
32 counties with a population of more than eight hundred thousand persons but  
33 less than two million persons shall transfer \$4,854,200 to the Arizona health  
34 care cost containment system administration for deposit in the budget  
35 neutrality compliance fund established by section 36-2928, Arizona Revised  
36 Statutes.

37 Sec. 8. AHCCCS; disproportionate share payments

38 Disproportionate share payments for fiscal year 2008-2009 made pursuant  
39 to section 36-2903.01, subsection P, Arizona Revised Statutes, include:

40 1. \$89,877,700 for a qualifying nonstate operated public hospital.  
41 The Maricopa county special health care district shall provide a certified  
42 public expense form for the amount of qualifying disproportionate share  
43 hospital expenditures made on behalf of this state to the administration on  
44 or before June 1, 2009. The administration shall assist the district in  
45 determining the amount of qualifying disproportionate share hospital

1 expenditures. Once the administration files a claim with the federal  
 2 government and receives federal funds participation based on the amount  
 3 certified by the Maricopa county special health care district, if the  
 4 certification is equal to or greater than \$89,877,700, the administration  
 5 shall distribute \$4,202,300 to the Maricopa county special health care  
 6 district and deposit the balance of the federal funds participation in the  
 7 state general fund. If the certification provided is for an amount less than  
 8 \$89,877,700, and the administration determines that the revised amount is  
 9 correct pursuant to the methodology used by the administration pursuant to  
 10 section 36-2903.01, Arizona Revised Statutes, the administration shall notify  
 11 the governor, the president of the senate and the speaker of the house of  
 12 representatives, shall distribute \$4,202,300 to the Maricopa county special  
 13 health care district and shall deposit the balance of the federal funds  
 14 participation in the state general fund. If the certification provided is  
 15 for an amount less than \$89,877,700 and the administration determines that  
 16 the revised amount is not correct pursuant to the methodology used by the  
 17 administration pursuant to section 36-2903.01, Arizona Revised Statutes, the  
 18 administration shall notify the governor, the president of the senate and the  
 19 speaker of the house of representatives and shall deposit the total amount of  
 20 the federal funds participation in the state general fund.

21 2. \$28,614,300 for the Arizona state hospital. The Arizona state  
 22 hospital shall provide a certified public expense form for the amount of  
 23 qualifying disproportionate share hospital expenditures made on behalf of the  
 24 state to the administration on or before March 31, 2009. The administration  
 25 shall assist the Arizona state hospital in determining the amount of  
 26 qualifying disproportionate share hospital expenditures. Once the  
 27 administration files a claim with the federal government and receives federal  
 28 funds participation based on the amount certified by the Arizona state  
 29 hospital, the administration shall distribute the entire amount of federal  
 30 financial participation to the state general fund. If the certification  
 31 provided is for an amount less than \$28,614,300, the administration shall  
 32 notify the governor, the president of the senate and the speaker of the house  
 33 of representatives and shall distribute the entire amount of federal  
 34 financial participation to the state general fund. The certified public  
 35 expense form provided by the Arizona state hospital shall contain both the  
 36 total amount of qualifying disproportionate share hospital expenditures and  
 37 the amount limited by section 1923(g) of the social security act.

38 3. \$26,147,700 for private qualifying disproportionate share  
 39 hospitals.

40 Sec. 9. County acute care contribution; fiscal year 2008-2009

41 A. Notwithstanding section 11-292, Arizona Revised Statutes, for  
 42 fiscal year 2008-2009 for the provision of hospitalization and medical care,  
 43 the counties shall contribute the following amounts:

- |               |              |
|---------------|--------------|
| 44 1. Apache  | \$ 268,800   |
| 45 2. Cochise | \$ 2,214,800 |

1	3. Coconino	\$ 742,900
2	4. Gila	\$ 1,413,200
3	5. Graham	\$ 536,200
4	6. Greenlee	\$ 190,700
5	7. La Paz	\$ 212,100
6	8. Maricopa	\$21,552,700
7	9. Mohave	\$ 1,237,700
8	10. Navajo	\$ 310,800
9	11. Pima	\$14,951,800
10	12. Pinal	\$ 2,715,600
11	13. Santa Cruz	\$ 482,800
12	14. Yavapai	\$ 1,427,800
13	15. Yuma	\$ 1,325,100

14 B. If a county does not provide funding as specified in subsection A  
 15 of this section, the state treasurer shall subtract the amount owed by the  
 16 county to the Arizona health care cost containment system fund and the  
 17 long-term care system fund established by section 36-2913, Arizona Revised  
 18 Statutes, from any payments required to be made by the state treasurer to  
 19 that county pursuant to section 42-5029, subsection D, paragraph 2, Arizona  
 20 Revised Statutes, plus interest on that amount pursuant to section 44-1201,  
 21 Arizona Revised Statutes, retroactive to the first day the funding was due.  
 22 If the monies the state treasurer withholds are insufficient to meet that  
 23 county's funding requirements as specified in subsection A of this section,  
 24 the state treasurer shall withhold from any other monies payable to that  
 25 county from whatever state funding source is available an amount necessary to  
 26 fulfill that county's requirement. The state treasurer shall not withhold  
 27 distributions from the highway user revenue fund pursuant to title 28,  
 28 chapter 18, article 2, Arizona Revised Statutes.

29 C. Payment of an amount equal to one-twelfth of the total amount  
 30 determined pursuant to subsection A of this section shall be made to the  
 31 state treasurer on or before the fifth day of each month. On request from  
 32 the director of the Arizona health care cost containment system  
 33 administration, the state treasurer shall require that up to three months'  
 34 payments be made in advance, if necessary.

35 D. The state treasurer shall deposit the amounts paid pursuant to  
 36 subsection C of this section and amounts withheld pursuant to subsection B of  
 37 this section in the Arizona health care cost containment system fund and the  
 38 long-term care system fund established by section 36-2913, Arizona Revised  
 39 Statutes.

40 E. If payments made pursuant to subsection C of this section exceed  
 41 the amount required to meet the costs incurred by the Arizona health care  
 42 cost containment system for the hospitalization and medical care of those  
 43 persons defined as an eligible person pursuant to section 36-2901, paragraph  
 44 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of  
 45 the Arizona health care cost containment system administration may instruct

the state treasurer either to reduce remaining payments to be paid pursuant to this section by a specified amount or to provide to the counties specified amounts from the Arizona health care cost containment system fund and the long-term care system fund.

F. It is the intent of the legislature that the Maricopa county contribution pursuant to subsection A of this section be reduced in each subsequent year according to the changes in the GDP price deflator. For the purposes of this subsection, "GDP price deflator" has the same meaning prescribed in section 41-563, Arizona Revised Statutes.

Sec. 10. ALTCS; county contributions

Notwithstanding section 11-292, Arizona Revised Statutes, county contributions for the Arizona long-term care system for fiscal year 2008-2009 are as follows:

1. Apache	\$ 631,900
2. Cochise	\$ 5,673,800
3. Coconino	\$ 1,896,000
4. Gila	\$ 2,352,400
5. Graham	\$ 1,216,100
6. Greenlee	\$ 118,900
7. La Paz	\$ 890,300
8. Maricopa	\$161,590,300
9. Mohave	\$ 8,441,300
10. Navajo	\$ 2,614,000
11. Pima	\$ 41,487,700
12. Pinal	\$ 12,972,300
13. Santa Cruz	\$ 1,939,800
14. Yavapai	\$ 9,260,600
15. Yuma	\$ 6,902,400

Sec. 11. Hospitalization and medical care contribution; fiscal year 2008-2009

A. Notwithstanding any other law, for fiscal year 2008-2009, beginning with the second monthly distribution of transaction privilege tax revenues, the state treasurer shall withhold the following amounts from state transaction privilege tax revenues otherwise distributable, after any amounts withheld for the county long-term care contribution or the county administration contribution pursuant to section 11-292, subsection P, Arizona Revised Statutes, for deposit in the Arizona health care cost containment system fund established by section 36-2913, Arizona Revised Statutes, for the provision of hospitalization and medical care:

1. Apache	\$ 87,300
2. Cochise	\$ 162,700
3. Coconino	\$ 160,500
4. Gila	\$ 65,900
5. Graham	\$ 46,800
6. Greenlee	\$ 12,000



1	7. La Paz	\$ 24,900
2	8. Mohave	\$ 187,400
3	9. Navajo	\$ 122,800
4	10. Pima	\$1,115,900
5	11. Pinal	\$ 218,300
6	12. Santa Cruz	\$ 51,600
7	13. Yavapai	\$ 206,200
8	14. Yuma	\$ 183,900

9       B. If a county does not provide funding as specified in subsection A  
10 of this section, the state treasurer shall subtract the amount owed by the  
11 county to the Arizona health care cost containment system fund from any  
12 payments required to be made by the state treasurer to that county pursuant  
13 to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus  
14 interest on that amount pursuant to section 44-1201, Arizona Revised  
15 Statutes, retroactive to the first day the funding was due. If the monies  
16 the state treasurer withholds are insufficient to meet that county's funding  
17 requirement as specified in subsection A of this section, the state treasurer  
18 shall withhold from any other monies payable to that county from whatever  
19 state funding source is available an amount necessary to fulfill that  
20 county's requirement. The state treasurer shall not withhold distributions  
21 from the highway user revenue fund pursuant to title 28, chapter 18, article  
22 2, Arizona Revised Statutes.

23       C. Payment of an amount equal to one-twelfth of the total monies  
24 prescribed pursuant to subsection A of this section shall be made to the  
25 state treasurer on or before the fifth day of each month. On request from  
26 the director of the Arizona health care cost containment system  
27 administration, the state treasurer shall require that up to three months'  
28 payments be made in advance, if necessary.

29       D. The state treasurer shall deposit the monies paid pursuant to  
30 subsection C of this section in the Arizona health care cost containment  
31 system fund established by section 36-2913, Arizona Revised Statutes.

32       E. In fiscal year 2008-2009, the sum of \$2,646,200 withheld pursuant  
33 to subsection A or B of this section, as applicable, is allocated for the  
34 county acute care contribution for the provision of hospitalization and  
35 medical care services administered by the Arizona health care cost  
36 containment system administration.

37       F. County contributions made pursuant to subsection A of this section  
38 are excluded from the county expenditure limitations.

39       Sec. 12. Child care eligibility levels; report

40       Notwithstanding section 46-803, Arizona Revised Statutes, for fiscal  
41 year 2008-2009, the department of economic security may reduce maximum income  
42 eligibility levels for child care assistance in order to manage within  
43 appropriated and available monies. The department shall notify the joint  
44 legislative budget committee of any change in maximum income eligibility  
45 levels for child care within fifteen days after implementing that change.

1           Sec. 13. Competency restoration treatment; county and city  
2                               reimbursement; fiscal year 2008-2009; deposit; tax  
3                               withholding

4           A. Notwithstanding section 13-4512, Arizona Revised Statutes, if the  
5 state pays the costs of a defendant's inpatient competency restoration  
6 treatment pursuant to section 13-4512, Arizona Revised Statutes, for counties  
7 with a population of eight hundred thousand or more persons and for all  
8 cities, the city or county shall reimburse the department of health services  
9 for eighty-six per cent of these costs for fiscal year 2008-2009.

10          B. The department shall deposit the reimbursements, pursuant to  
11 sections 35-146 and 35-147, Arizona Revised Statutes, in the Arizona state  
12 hospital fund established by section 36-545.08, Arizona Revised Statutes.

13          C. Each city and county shall make the reimbursements for these costs  
14 as specified in subsection A of this section within thirty days after a  
15 request by the department. If the city or county does not make the  
16 reimbursement, the superintendent of the Arizona state hospital shall notify  
17 the state treasurer of the amount owed and the treasurer shall withhold the  
18 amount, including any additional interest as provided in section 42-1123,  
19 Arizona Revised Statutes, from any transaction privilege tax distributions to  
20 the city or county. The treasurer shall deposit the withholdings, pursuant  
21 to sections 35-146 and 35-147, Arizona Revised Statutes, in the Arizona state  
22 hospital fund established by section 36-545.08, Arizona Revised Statutes.

23           Sec. 14. Proposition 204 administration; county expenditure  
24                               limitation

25          County contributions for the administrative costs of implementing  
26 sections 36-2901.01 and 36-2901.04, Arizona Revised Statutes, that are made  
27 pursuant to section 11-292, subsection O, Arizona Revised Statutes, are  
28 excluded from the county expenditure limitations.

29           Sec. 15. Health insurance premiums; department of  
30                               administration

31          For fiscal year 2008-2009, the department of administration shall not  
32 implement a differentiated health insurance premium based on the integrated  
33 or nonintegrated status of a health insurance provider available through the  
34 state employee health insurance program beginning October 1, 2008.

35           Sec. 16. Health insurance benefits; legislative approval;  
36                               retroactivity

37          A. Notwithstanding any other law, the department of administration  
38 shall not make changes to the benefit design or eligibility of the health  
39 insurance benefit program in fiscal year 2008-2009 unless those changes have  
40 been approved by the legislature.

41          B. This section is effective retroactively to from and after December  
42 31, 2007.

1           Sec. 17. Eligibility; benefit levels; enrollment; agencies

2           Notwithstanding any other law, the Arizona health care cost containment  
3 system, the department of economic security and the department of health  
4 services may change the eligibility or benefit level of programs, or freeze  
5 enrollment in programs, in order to comply with the agencywide lump sum  
6 reduction for their agency in the fiscal year 2008-2009 general appropriation  
7 act. Changes made to the eligibility or benefit level of programs, or an  
8 enrollment freeze, shall not conflict with federal law or be in violation of  
9 the provisions of article IV, part 1, section 1, Constitution of Arizona.

10          Sec. 18. Auditor general; veterans' home special audit

11          A. The auditor general shall conduct a special audit, as defined in  
12 section 41-1278, Arizona Revised Statutes, to assess the performance of the  
13 Arizona state veterans' home in the department of veterans' services. The  
14 audit shall examine the following in relation to resident care at the  
15 veterans' home:

16           1. The amount of resident care oversight provided by the current  
17 organizational and financial structure of the department.

18           2. The use of contractors, registry nurses and the procurement process  
19 at the veterans' home.

20           3. The administrative training of staff as it relates to resident  
21 care.

22           4. Any other function of the department or veterans' home necessary to  
23 complete an accurate and timely audit.

24          B. The auditor general may contract out any portions of this audit to  
25 a third party.

26          C. On or before March 1, 2009, the auditor general shall submit copies  
27 of the special audit to the governor, the president of the senate, the  
28 speaker of the house of representatives, the secretary of state and the  
29 director of the Arizona state library, archives and public records.